

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input checked="" type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name <b>EAST TAWAS CITY PARK</b>	County <b>IOSCO</b>
Fiscal Year End <b>09/30/2007</b>	Opinion Date <b>02/07/2008</b>	Date Audit Report Submitted to State <b>March 24, 2008</b>	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO

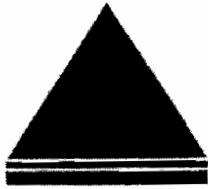
Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) <b>STEPHENSON, GRACIK &amp; CO., P.C.</b>		Telephone Number <b>(989) 362-4491</b>	
Street Address <b>325 NEWMAN STREET, PO BOX 592</b>		City <b>EAST TAWAS</b>	State <b>MI</b>
Zip <b>48730</b>			
Authorizing CPA Signature <b>Don Brannan</b>	Printed Name <b>DONALD W. BRANNAN, CPA</b>	License Number <b>1101021039</b>	



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EAST TAWAS CITY PARK  
IOSCO COUNTY, MICHIGAN

AUDITORS' REPORT  
YEARS ENDED SEPTEMBER 30, 2007 and 2006

## I\_N\_D\_E\_X

### PAGE

#### **AUDITORS' REPORT**

INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	2 - 5

#### **BASIC FINANCIAL STATEMENTS**

##### **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

EXHIBIT A	STATEMENTS OF NET ASSETS	6
EXHIBIT B	STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS	7

##### **FUND FINANCIAL STATEMENTS**

EXHIBIT C	STATEMENTS OF CASH FLOWS	8
EXHIBIT D	NOTES TO FINANCIAL STATEMENTS	9 - 14

#### **OTHER INFORMATION**

EXHIBIT E	STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS - BUDGET AND ACTUAL	15
	<b>REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS</b>	16



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February 7, 2008

Independent Auditors' Report

Board of Directors  
East Tawas City Park  
Iosco County, Michigan

We have audited the accompanying financial statements of the business-type activities of the East Tawas City Park, Iosco County, Michigan, as of and for the years ended September 30, 2007 and 2006, which collectively comprise the East Tawas City Park's basic financial statements, as listed in the index. These financial statements are the responsibility of the City Park's management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the business-type activities of the East Tawas City Park, Iosco County, Michigan, as of September 30, 2007 and 2006, and the respective changes in financial position and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 7, 2008, on our consideration of the East Tawas City Park's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

The management's discussion and analysis information is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the East Tawas City Park's basic financial statements. The budget and actual statement is presented for purposes of additional analysis and is not a required part of the basic financial statements. The budget and actual statement has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Stephenson, Gracik & Co., P.C.*



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## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the East Tawas City Park, (the City Park) we offer readers of the City Park's financial statements this narrative overview and analysis of the financial activities of the City Park for the fiscal year ended September 30, 2007.

### Financial Highlights

- The City Park's assets exceeded its liabilities by \$2,504,013 (*net assets*) for the fiscal year reported. Of this amount, \$422,881 (*unrestricted net, assets*) represents the portion available for spending.
- The City Park's total net assets decreased by \$122,286 or 4.7% over the course of the year's operations. Although many factors contributed to this decrease, one of the primary contributors is the bond, interest and O & M payments for the East Tawas City Hall and Community Center being paid by the Park. In fiscal year 2006-2007, the amount of those payments was \$179,061.
- The City Park's operating expenses in fiscal year 2006-2007 were \$8,009 lower than those in fiscal year 2005-2006. This decrease was due to a combination of increases in wages and benefits and decreases in operating supplies, equipment and improvements, insurance, repairs and maintenance and depreciation.
- Operating revenues for the City Park in fiscal year 2006-2007 were \$21,621 higher than those in fiscal year 2005-2006. This increase was due to an increase in total camper days for the fiscal year combined with a 50 cent daily rate increase.

### Overview of the Financial Statements

This annual report includes this management's discussion and analysis report, the independent auditors' report and the basic financial statements of the City Park. The financial statements also include notes that explain in more detail some of the information in the financial statements.

### Required Financial Statements

The financial statements of the City Park report information of the City Park using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about its activities. The Statement of Net Assets includes all of the City Park's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and

the obligations to Authority creditors (liabilities). It also provides the basis for evaluating the capital structure of the City Park and assessing the liquidity and financial flexibility of the City Park. All of the current year's revenues and expenses are accounted for in the Statement of Revenue, Expenses and Changes in Net Assets. This statement measures the success of the City Park's operations over the past year and can be used to determine whether the City Park has successfully recovered all its costs through its user fees and other charges, profitability and credit worthiness.

The final required financial statement is the Statement of Cash Flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operating, financing and investing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

### Notes to Financial Statements

The accompanying notes to financial statements provide information essential to a full understanding of the financial statements. The notes to financial statements are presented in Exhibit D of this report.

### Analysis of Financial Position:

One of the most important questions asked about the City Park's finances is "Is the City Park as a whole better off or worse off as a result of this year's activities?" The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets report information about the City Park's activities in a way that will help answer this question. These two statements report the net assets of the City Park and the changes in them. One can think of the City Park's net assets, the difference between assets and liabilities, as one way to measure financial health or financial position. Over time, increases or decreases in the City Park's net assets are one indicator of whether its financial health is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions and new or changed government legislation.

### Summary of Net Assets:

The following summarizes the net assets of the East Tawas City Park at September 30, 2007 and 2006:

	<u>Net Assets Summary</u>	
	<u>September 30, 2007</u>	<u>September 30, 2006</u>
Current Assets	\$ 501,702	\$ 435,242
Capital Assets – net	<u>2,081,132</u>	<u>2,229,729</u>
<b>Total Assets</b>	<b><u>2,582,834</u></b>	<b><u>2,664,971</u></b>
Current Liabilities	67,697	31,313
Long-Term Liabilities	<u>11,124</u>	<u>7,359</u>
<b>Total Liabilities</b>	<b><u>78,821</u></b>	<b><u>38,672</u></b>
<b>Net Assets</b>		
Investment in Capital Assets	2,081,132	2,229,729
Unrestricted	<u>422,881</u>	<u>396,570</u>
<b>Total Net Assets</b>	<b><u>\$ 2,504,013</u></b>	<b><u>\$ 2,626,299</u></b>

## Capital Assets

The City Park's investment in capital assets as of September 30, 2007 amounted to \$2,081,132 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings and improvements, machinery and equipment, signs and construction in progress. Capital assets for the City Park increased by \$32,258. Total depreciation expense for this year amounts to \$180,854 with ending accumulated depreciation being \$3,073,215.

### Capital Assets Summary (Net of depreciation)

	<u>September 30, 2007</u>	<u>September 30, 2006</u>
Land	\$ 234,065	\$ 234,065
Land improvements	1,383,664	1,535,473
Buildings and improvements	426,135	452,318
Machinery and equipment	1,649	4,122
Signs	14,456	3,751
Construction in progress	<u>21,163</u>	<u>0</u>
<b>Capital Assets- net</b>	<b><u>\$ 2,081,132</u></b>	<b><u>\$ 2,229,729</u></b>

Additional information on capital assets can be found in Note 3 of the audit, notes to financial statements.

### Summary of Revenues and Expenses:

	<u>September 30, 2007</u>	<u>September 30, 2006</u>
Operating revenue	\$ 629,778	\$ 608,157
Non operating revenue	<u>13,334</u>	<u>10,247</u>
Total revenue	<u>643,112</u>	<u>618,404</u>
Depreciation expense	180,854	191,177
Other operating expense	<u>411,963</u>	<u>409,649</u>
Total expenses	<u>592,817</u>	<u>600,826</u>
Income before contribution and operating transfers	50,295	17,578
Capital contributions – federal grants	6,480	0
Operating transfers out	<u>(179,061)</u>	<u>(177,603)</u>
Change in net assets	(122,286)	(160,025)
Net assets - beginning of year	<u>2,626,299</u>	<u>2,786,324</u>
Net assets – end of year	<b><u>\$ 2,504,013</u></b>	<b><u>\$ 2,626,299</u></b>

### **Economic Factors and Next Year's Budget and Rates**

The East Tawas City Park took many factors into consideration in setting the fiscal year 2007-2008 budget. As always, the overriding factor in the budgeting process was to keep expenses at or below the amount of revenue generated. The majority of the revenues generated by the City Park are derived from camping rates paid by customers of the 174 site East Tawas City Park Campground. Over the past five years, the camping fee revenues have continued to increase annually from \$510,244 in fiscal year 2001-2002 to \$588,170 in fiscal year 2006-2007. The major reason for the increase in these revenues is a result of annual rate increases for nightly stays in the campground and the addition of four new campsites that opened in the park during the summer of 2004. Another reason for the increase is that the City Park experienced an increase in total camper days of around 2% per year over each of the past two years.

The most significant monetary operating expense for the East Tawas City Park continues to be employee related costs. Following these costs are the fixed costs such as utilities, repair and maintenance and insurance and bonds. Depreciation continues to be the park's largest non-monetary operating expense.

In 1999, the City of East Tawas constructed a new City Hall and Community Center funded by bonds sold by the East Tawas Building Authority. Repayment of these bonds is being made by the East Tawas City Park through campground revenues generated by the Park. This constitutes the Park's largest nonoperating expense and appears in the audit report as an operating transfer out. The budgeted amount for the Community Center bond principal and interest payment along with the City Park's annual O & M payment to the Community Center for fiscal year 2007-2008 is \$177,448.

The state of the economy will again be the major deciding factor in the success or failure of the East Tawas City Park campground in fiscal year 2007-2008. In 2006-2007, the East Tawas City Park held the line on rate increases while other area campgrounds experienced substantial increases. This resulted in approximately a 2% increase in camper business from 2005-2006. For the 2007-2008 season, the East Tawas City Park has increased their rates for the primary camping season, May 1 to October 15, by .50 per night. The Park should not experience a negative impact on their business for the 2007-2008 season due to this slight increase.

### **Requests for Information**

This financial report is designed to provide a general overview of the East Tawas City Park finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Park Manager, 407 W. Bay Street, East Tawas, Michigan 48730.



EAST TAWAS CITY PARK  
Iosco County, Michigan

STATEMENTS OF NET ASSETS  
September 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
<u>Assets</u>		
Current assets:		
Cash and cash equivalents (Note 2)	\$ 491,702	\$ 425,242
Investments (Note 2)	<u>10,000</u>	<u>10,000</u>
Total current assets	501,702	435,242
Noncurrent assets:		
Capital assets, net (Note 3)	<u>2,081,132</u>	<u>2,229,729</u>
Total Assets	<u>2,582,834</u>	<u>2,664,971</u>
<u>Liabilities</u>		
Current liabilities:		
Accounts payable	25,716	6,545
Accrued liabilities	0	6,244
Due to other funds	39,461	18,524
Deferred revenue	<u>2,520</u>	<u>0</u>
Total current liabilities	67,697	31,313
Long-term liabilities:		
Compensated absences payable (Note 4)	<u>11,124</u>	<u>7,359</u>
Total Liabilities	<u>78,821</u>	<u>38,672</u>
<u>Net Assets</u>		
Investment in capital assets	2,081,132	2,229,729
Unrestricted	<u>422,881</u>	<u>396,570</u>
Total Net Assets	<u>\$ 2,504,013</u>	<u>\$ 2,626,299</u>

The accompanying notes to financial statements are an integral part of this statement.

EAST TAWAS CITY PARK  
Iosco County, Michigan

STATEMENTS OF REVENUE, EXPENSES AND  
 CHANGES IN NET ASSETS  
For the Years Ended September 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
<u>Operating Revenue</u>		
Camping fees	\$ 588,170	\$ 567,045
Storage fees	35,280	31,614
Building rental	4,680	4,880
Commissions	537	639
Miscellaneous	1,111	3,979
Total operating revenue	<u>629,778</u>	<u>608,157</u>
<u>Operating Expenses</u>		
Salaries, wages and social security	192,456	174,307
Payroll taxes and benefits	25,247	24,635
Pension	9,368	8,630
Advertising	1,860	1,580
Office supplies	1,260	1,015
Operating supplies	13,183	15,041
Equipment and improvements	4,490	9,221
Legal and accounting	2,360	2,550
Uniforms	2,936	2,633
Miscellaneous	3,140	3,552
Insurance and bonds	22,440	25,514
Utilities	89,394	89,912
Repair and maintenance	38,046	44,401
Rubbish collection	3,457	4,363
Rent	2,326	2,295
Depreciation	180,854	191,177
Total operating expenses	<u>592,817</u>	<u>600,826</u>
Operating income	36,961	7,331
<u>Non-operating Revenue</u>		
Interest earned	13,334	10,247
Income before contributions and operating transfers	50,295	17,578
Capital contributions - federal grants	6,480	0
Operating transfers out	<u>(179,061)</u>	<u>(177,603)</u>
Change in net assets	(122,286)	(160,025)
Net assets - beginning of year	<u>2,626,299</u>	<u>2,786,324</u>
Net assets - end of year	<u>\$ 2,504,013</u>	<u>\$ 2,626,299</u>

The accompanying notes to financial statements are an integral part of this statement.

EAST TAWAS CITY PARK  
Iosco County, Michigan

STATEMENTS OF CASH FLOWS  
For the Years Ended September 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
<u>Cash Flows From Operating Activities</u>		
Cash received from customers	\$ 629,778	\$ 608,157
Payments to suppliers for goods and services	(178,516)	(202,540)
Payments to employees for services	(229,550)	(208,174)
Net cash provided by operating activities (Note 7)	<u>221,712</u>	<u>197,443</u>
<u>Cash Flows From Noncapital Financing Activities</u>		
Cash paid to other funds	<u>(158,124)</u>	<u>(238,026)</u>
<u>Cash Flows From Capital and Related Financing Activities</u>		
Acquisition and construction of capital assets	(19,462)	(19,634)
Federal grants received	<u>9,000</u>	<u>0</u>
Net cash used by capital and related financing activities	<u>(10,462)</u>	<u>(19,634)</u>
<u>Cash Flows From Investing Activities</u>		
Interest on investments	<u>13,334</u>	<u>10,247</u>
Net increase (decrease) in cash and cash equivalents	66,460	(49,970)
Cash and cash equivalents - beginning of year (Note 1)	<u>425,242</u>	<u>475,212</u>
Cash and cash equivalents - end of year (Note 1)	<u>\$ 491,702</u>	<u>\$ 425,242</u>

The accompanying notes to financial statements are an integral part of this statement.

EAST TAWAS CITY PARK  
Iosco County, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Years Ended September 30, 2007 and 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the East Tawas City Park conform to accounting principles generally accepted in the United States of America (GAAP) applicable to governmental units. The following is a summary of the significant accounting policies.

A. Description of Fund Type

The East Tawas City Park operates as an enterprise fund and is shown as a blended component unit in the City of East Tawas financial statements. The basic financial statements of the East Tawas City Park are prepared in accordance with accounting principles generally accepted (GAAP) in the United States of America as applied to governmental units. The City Park applies all relevant Governmental Accounting Standards Board (GASB) and Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions, that apply to all proprietary fund type activities, issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. All activities over which the East Tawas City Park exercises oversight responsibility have been included in the reporting entity.

Oversight responsibility is determined by factors such as financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters of the entity.

B. Fund Accounting

The City Park uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

**Proprietary Fund**

Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows.

The City Park's Enterprise Fund reports operations that provide services which are financed primarily by user charges, or activities where periodic measurement of net income is appropriate for capital maintenance, public policy, management control or other purposes.

C. Basis of Presentation

The City Park's basic financial statements consist of a statement of net assets, a statement of revenue, expenses and changes in net assets, and a statement of cash flows. Government wide financial statements report information about the East Tawas City Park as a whole. The City Park has only one fund which is business-type in nature, so the financial statements present one set of statements that meets both the government-wide and fund requirements.

A statement of net assets provides information about the assets, liabilities, and net assets of the City Park at the end of the year. Assets and liabilities are classified as either current or noncurrent. Net assets are classified according to external donor restrictions or availability of assets to satisfy City Park obligations. Invested in capital assets represents the value of capital assets, net of accumulated depreciation. Unrestricted net assets include all other net assets, including those that have been designated by management to be used for other than general operation purposes.

EAST TAWAS CITY PARK  
Iosco County, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Years Ended September 30, 2007 and 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Presentation (Continued)

A statement of revenue, expenses and changes in net assets provides information about the City Park's financial activities during the year ended September 30, 2007. Revenue and expenses are classified as either operating or nonoperating, and all changes in net assets are reported, including capital contributions. Operating revenues and expenses generally result from providing the use of camping and park facilities. Other revenues, such as federal and state grants designated for specific projects, are not generated from operations and are considered to be nonoperating revenues. Operating expenses include the cost of maintaining camping and park facilities, administrative expenses, and depreciation on capital assets.

A statement of cash flows provides information about the City Park's sources and uses of cash and cash equivalents during the year ended September 30, 2007. Increases and decreases in cash and cash equivalents are classified as either operating, noncapital financing, capital financing, or investing.

D. Measurement Focus and Basis of Accounting

The term measurement focus is used to denote what is being measured and reported in the City Park's operating statement. The City Park is accounted for on the flow of economic resources measurement focus. The fundamental objective of this focus is to measure whether the City Park is better or worse off economically as a result of events and transactions of the period.

The term basis of accounting is used to determine when a transaction or event is recognized on the City Park's operating statement. The City Park uses the full accrual basis of accounting. Under this basis, revenues are recorded when earned and expenses are recorded when incurred, even though actual payment or receipt may not occur until after the period ends.

E. Cash and Cash Equivalents

For presentation on the financial statements, investments in cash management pools and investments with an original maturity of three months or less at the time they are purchased by the City Park are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

F. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

G. Capital Assets

Capital assets are stated at cost. Depreciation has been provided using the straight-line method over the estimated useful life of the assets.

EAST TAWAS CITY PARK  
Iosco County, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Years Ended September 30, 2007 and 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Capital Assets (Continued)

Expenditures for maintenance, repairs and renewals are charged to operations as incurred and betterments are capitalized. The City Park eliminates the cost and related allowances from the accounts for assets sold or retired and resulting gains or losses therefrom are included in operations concurrently. Donated fixed assets are recorded at their fair market values as of the date received.

H. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consists of capital assets net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City Park or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The City Park's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

I. Capital Contributions

Capital contributions consist of federal and state grants received to fund construction and acquisition of capital assets.

J. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise fund. For the City Park, these revenues are charges for services for camping and storage fees. Operating expenses are the necessary costs incurred to provide the service that is the primary activity of the fund. Revenues and expenses not meeting these definitions are reported as nonoperating.

K. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during the current year.

NOTE 2 - DEPOSITS AND INVESTMENTS

At year-end, the City Park's deposits and investments were reported in the basic financial statements in the following categories:

	<u>9/30/07</u>	<u>9/30/06</u>
Cash and Cash Equivalents	\$ 491,702	\$ 425,242
Investments	<u>10,000</u>	<u>10,000</u>
	<u>\$ 501,702</u>	<u>\$ 435,242</u>

EAST TAWAS CITY PARK  
Iosco County, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Years Ended September 30, 2007 and 2006

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

The breakdown between deposits and investments is as follows:

	<u>9/30/07</u>	<u>9/30/06</u>
Bank deposits (checking and savings accounts, certificates of deposit)	\$ 29,778	\$ 12,502
Investment in financial institution pooled funds	471,824	422,640
Petty cash	<u>100</u>	<u>100</u>
Total	<u>\$ 501,702</u>	<u>\$ 435,242</u>

As of September 30, 2007, the City Park had the following investments.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Specific Identification Maturities</u>
Investment pools	<u>\$ 471,824</u>	Daily

Credit Risk

State law authorizes investments in investment pools as authorized by the Surplus Funds Investment Pool Act, Act No. 367 of the Public Acts of 1982, being sections 129.111 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by a local governmental unit in Michigan. The City Park's investment pool is unrated.

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the City Park's deposits may not be returned to it. As of September 30, 2007 and 2006, \$0 of the City Park's bank balance of \$13,640 and \$12,985 respectively, were exposed to custodial credit risk.

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the City Park will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The City Park will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities approved in the City Park's investment policy which is in accordance with State law.

Concentration of Credit Risk, Interest Rate Risk and Foreign Currency Risk

The City Park's investment policy does not address concentration of credit risk, interest rate risk or foreign currency risk.

EAST TAWAS CITY PARK  
Iosco County, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Years Ended September 30, 2007 and 2006

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Investments:

The City Park has adopted an investment policy in accordance with Act 196, PA 1997 which authorizes the City Park to deposit and invest in the following:

- \* Accounts of federally insured banks, credit unions and savings and loan associations
- \* Bonds and other direct obligations of the United States or an agency or instrumentality of the United States
- \* United States government or federal agency obligation repurchase agreements
- \* Banker's acceptances of United States banks
- \* Commercial paper rated within the two highest classifications by not less than two standard rating services which mature not more than 270 days after the date of purchase
- \* Mutual funds registered under the Investment Company Act of 1940, Title I of Chapter 686, 54 Stat. 789 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation

Michigan law requires that public funds may not be deposited in financial institutions that do not maintain an office in Michigan. The City Park's deposits and investments are in accordance with statutory authority.

NOTE 3 - CAPITAL ASSETS

A summary of changes in capital asset activity follows:

	Balance 10/01/06	Additions	Deletions	Balance 09/30/07
Land	\$ 234,065	\$ 0	\$ 0	\$ 234,065
Land improvements	3,793,069	0	0	3,793,069
Buildings and improvements	822,102	0	0	822,102
Machinery and equipment	260,934	0	0	260,934
Signs	11,920	11,094	0	23,014
Construction in progress	0	21,163	0	21,163
	5,122,090	32,257	0	5,154,347
Less accumulated depreciation	(2,892,361)	(180,854)	0	(3,073,215)
Net property, plant and equipment	\$ 2,229,729	\$ (148,597)	\$ 0	\$ 2,081,132

The City Park's fixed assets are stated at cost. Depreciation is calculated using the straight line basis at rates ranging from 2% to 34% per year. The estimated useful lives are as follows:

Building and improvements	10 - 40 years
Machinery, equipment and signs	3 - 20 years



EAST TAWAS CITY PARK  
Iosco County, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Years Ended September 30, 2007 and 2006

NOTE 4 - COMPENSATED ABSENCES

The City Park has an employee benefit plan that allows employees to accumulate sick pay days up to a maximum of 45 days. The City Park also has a vacation pay policy which allows employees with at least 10 vacation days to carryover up to a maximum of five days. Compensated absences are recorded using the vesting method in accordance with Governmental Accounting Standards Board Statement #16. The amount of accumulated sick and vacation pay liability for the City Park was \$11,124 and \$7,359 for 2007 and 2006, respectively, of which \$0 was the estimated current portion for both years.

NOTE 5 - RETIREMENT PLAN

The East Tawas City Park participates in an employee retirement plan along with the City of East Tawas. Under the plan, the City makes all required contributions, and the East Tawas City Park reimburses the City for contributions paid for its employees. Total pension expense for the East Tawas City Park was \$9,368 and \$8,630 for 2007 and 2006, respectively. Additional information can be obtained in the City of East Tawas audited financial statements for the year ended September 30, 2007.

NOTE 6 - RISK MANAGEMENT

The East Tawas City Park is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The East Tawas City Park continues to carry commercial insurance for risks of loss, including employee health insurance. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

NOTE 7 - RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

	<u>2007</u>	<u>2006</u>
Operating income	\$ 36,961	\$ 7,331
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	180,854	191,177
Changes in assets and liabilities:		
Increase (decrease) in accounts payable for operations	6,376	(463)
Increase (decrease) in accrued wages	(6,244)	310
Increase (decrease) in compensated absences payable	<u>3,765</u>	<u>(912)</u>
Net cash provided by operating activities	<u>\$ 221,712</u>	<u>\$ 197,443</u>

NOTE 8 - COMPARATIVE DATA

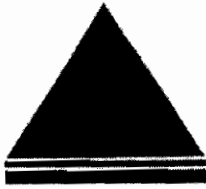
Comparative totals for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the City Park's financial position and operations. Some prior year balances have been reclassified to conform with the current year presentation.

## OTHER INFORMATION

EAST TAWAS CITY PARK  
Iosco County, Michigan

STATEMENT OF REVENUE, EXPENSES  
AND CHANGES IN NET ASSETS - BUDGET AND ACTUAL  
For the Year Ended September 30, 2007

	Budget	Actual	Variance - Favorable (Unfavorable)
<u>Operating Revenue</u>			
Camping fees	\$ 571,425	\$ 588,170	\$ 16,745
Storage fees	30,000	35,280	5,280
Building rental	4,630	4,680	50
Commissions	530	537	7
Miscellaneous	3,205	1,111	(2,094)
Total operating revenue	609,790	629,778	19,988
<u>Operating Expenses</u>			
Salaries, wages and social security	190,550	192,456	(1,906)
Payroll taxes and benefits	25,965	25,247	718
Pension	9,300	9,368	(68)
Advertising	1,850	1,860	(10)
Office supplies	1,500	1,260	240
Operating supplies	14,000	13,183	817
Equipment and improvements	6,000	4,490	1,510
Legal and accounting	2,500	2,360	140
Uniforms	2,950	2,936	14
Miscellaneous	3,050	3,140	(90)
Insurance and bonds	24,000	22,440	1,560
Utilities	87,500	89,394	(1,894)
Repair and maintenance	40,000	38,046	1,954
Rubbish collection	3,500	3,457	43
Rent	2,700	2,326	374
Depreciation	200,000	180,854	19,146
Total operating expenses	615,365	592,817	22,548
Operating income (loss)	(5,575)	36,961	42,536
<u>Non-operating Revenue</u>			
Interest earned	12,500	13,334	834
Income before contributions and operating transfers	6,925	50,295	43,370
Capital contributions - federal grants	6,480	6,480	0
Operating transfers out	(179,061)	(179,061)	0
Change in net assets	(165,656)	(122,286)	43,370
Net assets - beginning of year	2,626,299	2,626,299	0
Net assets - end of year	\$ 2,460,643	\$ 2,504,013	\$ 43,370



*Stephenson, Gracik & Co., P.C.*

Certified Public Accountants & Consultants

February 7, 2008

Alan J. Stephenson, CPA  
Gerald D. Gracik Jr., CPA  
James J. Gracik, CPA  
Donald W. Brannan, CPA  
Kyle E. Troyer, CPA

Herman A. Bertuleit

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors  
East Tawas City Park  
Iosco County, Michigan

We have audited the financial statements of the business-type activities of the East Tawas City Park, as of and for the year ended September 30, 2007, which collectively comprise the East Tawas City Park's basic financial statements and have issued our report thereon dated February 7, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the East Tawas City Park's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the East Tawas City Park's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the East Tawas City Park's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the East Tawas City Park's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the East Tawas City Park's financial statements that is more than inconsequential will not be prevented or detected by the East Tawas City Park's internal control. We consider the deficiency described below to be a significant deficiency in internal control over financial reporting:

Financial Statement Preparation

The East Tawas City Park prepares various financial information throughout the year to assess operations and the financial condition of the City Park. However, prior to the closing of the year end, various entries material to the financial statements were proposed by our firm. Also, the City Park relies on our firm to assist in preparing the annual financial report in accordance with Generally Accepted Accounting Principles.

The East Tawas City Park has individuals on staff to review that the financial report is accurate and the financial information reflects the recording of the proposed entries, however, not to review and determine that the financial report is a complete presentation in accordance with Generally Accepted Accounting Principles. As a result, the City Park is considered to have a significant control deficiency, since reporting errors or omissions could occur in the preparation of the annual financial report that would be departures from Generally Accepted Accounting Principles and the City Park would not be in a position to detect the errors or omissions.

Stephenson, Gracik & Co., P.C.

Board of Directors  
East Tawas City Park  
February 7, 2008  
Page Two

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the East Tawas City Park's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiency described above not to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the East Tawas City Park's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Park Board and the Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

*Stephenson, Gracik & Co., P.C.*



*Stephenson, Gracik & Co., P.C.*  
Certified Public Accountants & Consultants

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Herman A. Bertuleit

February 7, 2008

Board of Directors  
East Tawas City Park  
Iosco County, Michigan

Dear Board of Directors:

We have audited the financial statements of the East Tawas City Park for the year ended September 30, 2007, and have issued our reports thereon dated February 7, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter dated January 12, 2004, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of the East Tawas City Park. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the East Tawas City Park's compliance with certain provisions of laws, regulations, contracts and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the East Tawas City Park are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the East Tawas City Park during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the East Tawas City Park's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the East Tawas City Park, either individually or in the aggregate, indicate matters that could have a significant effect on the East Tawas City Park's financial reporting process.

# Stephenson, Gracik & Co., P.C.

Board of Directors  
East Tawas City Park  
February 7, 2008  
Page Two

## Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

## Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

## Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the East Tawas City Park's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

## Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

## Additional Information

As a result of our tests of controls and compliance as described in the third and fourth paragraphs, one matter came to our attention upon which we would like to comment and offer the following recommendation:

### Financial Statement Preparation

The East Tawas City Park prepares various financial information throughout the year to assess operations and the financial condition of the City Park. However, prior to the closing of the year end, various entries material to the financial statements were proposed by our firm. Also, the City Park relies on our firm to assist in preparing the annual financial report in accordance with Generally Accepted Accounting Principles.

The East Tawas City Park has individuals on staff to review that the financial report is accurate and the financial information reflects the recording of the proposed entries, however, not to review and determine that the financial report is a complete presentation in accordance with Generally Accepted Accounting Principles. As a result, the City Park is considered to have a significant control deficiency, since reporting errors or omissions could occur in the preparation of the annual financial report that would be departures from Generally Accepted Accounting Principles and the City Park would not be in a position to detect the errors or omissions.

We wish to express our appreciation for the cooperation and courtesies extended our staff by management and employees of the City Park.

This information is intended solely for the use of management, the Park Board, City Council and the Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

*Stephenson, Gracik & Co., P.C.*